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FISCAL IMPACT STATEMENT

LS 7708

BILL NUMBER: HB 1351

NOTE PREPARED: Feb 27, 2007

BILL AMENDED: Feb 23, 2007

SUBJECT: Affordable Housing and Community Development Fund.

FIRST AUTHOR: Rep. Bardon

FIRST SPONSOR: Sen. Weatherwax

BILL STATUS: As Passed House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) *Recording Fees:* The bill allows a county in which at least one unit in the county has established an affordable housing fund to adopt an ordinance authorizing the county recorder to charge a fee of: (1) \$5 for the first page; and (2) \$1 for each additional page; of each document recorded by the county recorder. It provides that: (1) 60% of the fees collected shall be distributed to those units with an affordable housing fund for deposit in those funds; and (2) 40% of the fees shall be deposited in the Affordable Housing and Community Development Fund. It also prescribes a formula for apportioning the fees collected among the units with affordable housing funds.

Recording Fees for a Consolidated City: The bill allows a county containing a consolidated city to adopt an ordinance authorizing the county recorder to charge a fee of: (1) \$5 for the first page; and (2) \$1 for each additional page; of each document recorded by the county recorder. It provides that: (1) 60% of the fees collected shall be deposited in the county's housing trust fund; and (2) 40% of the fees shall be deposited in the Affordable Housing and Community Development Fund.

Property Custody Fund and Abandoned Property Fund: The bill provides that, beginning July 1, 2007, on July 1 of each year, the interest balance in the Property Custody Fund and the interest balance in the Abandoned Property Fund shall be transferred to the Affordable Housing and Community Development Fund. (Current law provides that on July 1 of each year, the interest balance in the Property Custody Fund and the interest balance in the Abandoned Property Fund shall be transferred to the state General Fund.)

Issuance Costs: The bill provides that a county fiscal body may adopt an ordinance to recover as a cost of issuance 0.5% on any obligations issued by a political subdivision in the county. In a county that does not contain a consolidated city, the bill requires 60% of the amounts recovered to be allocated among the units

in the county that have established an affordable housing fund. In a county that contains a consolidated city, it requires 60% of the amounts recovered to be deposited in the county's housing trust fund. In any county, requires 40% of the amounts recovered to be transferred to the Treasurer of State for deposit into the Affordable Housing and Community Development Fund.

Public Deposit Insurance Fund Interest: The bill provides that beginning in 2012, interest earned by the Public Deposit Insurance Fund shall be distributed to the state Affordable Housing and Community Development Fund.

Sales and Use Tax Collection Allowance: The bill provides after a retail merchant's state sales tax liability accrued during a calendar year reaches \$750,000, the retail merchant's collection allowance is reduced from .83% of the merchant's sales tax liability to .13% of the merchant's sales tax liability for each subsequent reporting period. For each reporting period after a merchant's sales tax liability reaches \$750,000, the bill requires the Department of State Revenue to deposit in the Affordable Housing and Community Development Fund an amount equal to the difference between: (1) the amount of the collection allowance to which the merchant would be entitled before the application of the reduced percentage; minus (2) the amount of the collection allowance to which the merchant is entitled after the application of the reduced percentage.

Effective Date: July 1, 2007.

Explanation of State Expenditures: *Sales and Use Tax Collection Allowance:* This bill will increase administrative costs for the Department of State Revenue (DOR). It is estimated that the amendments to rules, forms, and computer software required to change the collection allowance rates for the Sales Tax could be implemented by the DOR through the use of existing staff and resources.

Explanation of State Revenues: (Revised) *Summary* - The state Affordable Housing and Community Development Fund (AHCDF) and counties with affordable housing funds would receive revenues from various sources of both state and local origin. The revenue for the state AHCDF is estimated at \$20.2 M, and the revenue for counties with affordable housing funds is estimated at \$3.5 M. Ultimately, the revenues to these funds will depend on the actions of the local units in adopting ordinances for recording fees and recovery of issuance costs. If additional counties establish local affordable housing funds, money received by both state and local government would be higher. The change in the Sales Tax collection allowance will increase Sales Tax collections by approximately \$12.6 M in FY 2008. The bill requires the total increase in Sales Tax collections as a result of the change in the collection allowance to be deposited in the AHCDF.

Recording Fees: The AHCDF would receive 40% of the additional revenues if any county containing an affordable housing fund adds a document fee of \$5 for the first page and \$1 for each additional page for each recording.

Example of Potential Recording Fees: Assuming that the four counties that have affordable housing funds (Allen, Marion, Monroe, and Vanderburgh) adopt the additional recording fee, based on 2005 recording information, the total received for the additional fee would be \$3.6 M and the state AHCDF would receive \$1.4 M. The Indiana Affordable Housing and Community Development Authority collected information on the number of documents recorded in about 20 counties. The table below shows the number of documents recorded in counties with affordable housing funds taken from this information.

County	Mortgage	Deed	Release	Other
Allen	27,696	18,549	30,510	8,805
Marion	55,703	46,501	40,580	14,272
Monroe	8,383	5,993	10,000	1,212
Vanderburgh	12,166	8,685	13,364	5,130
Total	103,948	79,728	94,454	29,419
The Indiana Affordable Housing and Community Development Authority estimated that mortgages are 20-page documents, deeds are 2-page documents , and releases and other documents consist of one page.				

(Revised) *Property Custody Fund and Abandoned Property Fund:* The AHCDF would also receive the interest balance from the Abandoned Property and Property Custody Funds. The estimated interest revenue accrued to the state General Fund under current for these funds is presented below:

Estimated Interest Revenue			
Fund	FY2004	FY2005	FY 2006
Abandoned Property Fund	\$268,855	\$237,141	\$308,825
Property Custody Fund	\$45,761	\$60,430	\$119,742
Source: Auditor's Data; Treasurer of State			

Background on the Property Custody Fund and the Abandoned Property Fund: The Property Custody Fund was established to receive property that is presumed abandoned but that has not yet reached the status of abandoned property. In P.L. 246-2005, the interest balance in the Property Custody Fund is transferred to the state General Fund. Under the Constitution, land and other property escheated to the state for want of heirs is placed in the Common School Fund. In noncode provisions of P.L. 224-2003 any balance in excess of \$500,000 in the Abandoned Property Fund is transferred to the state General Fund, and, in P.L. 246-2005, the interest balance in the Abandoned Property Fund is transferred to the state General Fund.

Issuance Costs: The AHCDF would receive 40% of an issuance cost from a county that adopts an ordinance requiring each political subdivision of the county to recover 0.5% on each obligation issued.

Example of Potential Issuance Costs: If the fiscal body of each of the four counties that have an affordable housing fund adopts an ordinance to recover issuance costs, the state AHCDF could receive an estimated \$869,893. This is based on the level of debt issuances of the political subdivisions in these counties during CY 2006. The bill does not limit the authority to adopt an ordinance to one of these counties. If other counties were to adopt the issuance cost recovery, the state would receive more funds based on the obligation value.

Public Deposit Insurance Fund Interest: Beginning in 2012, the state AHCDF will receive the interest from the Public Deposit Insurance Fund. Under current law, until 2011 the interest on the Public Deposit Insurance Fund less expenses is distributed to municipalities to assist with pre-1977 police and fire pension liabilities.

In FY 2006 the amount distributed was approximately \$5.3 M.

(Revised) *Sales and Use Tax Collection Allowance:* This provision of the bill will increase Sales Tax collections by an estimated \$12.6 M beginning in FY 2008. The bill provides for a graduated Sales and Use Tax collection allowance. The current collection allowance rate is 0.83%. The new rates are based on a retail merchant's Sales Tax liability. The bill provides that until a retail merchant accrues \$750,000 in Sales Tax liability in a calendar year, the rate stays at 0.83%, and then for liability accrued above \$750,000 the collection allowance is 0.13%. Under the current rate, these taxpayers would be entitled to retain an estimated \$19.4 M, and under the bill's new rate these taxpayers would be entitled to retain approximately \$6.8 M.

Please note that this estimate represents a simulation of the change in the collection allowances based on 2005 Sales Tax return data provided by the DOR. The actual impact on revenue collections will depend on sales tax transactions beginning July 1, 2007. The bill requires that the total amount of the increase in Sales Tax collections as a result of adjusting the collection allowance shall be deposited in the Affordable Housing and Community Development Fund.

Background on the Affordable Housing and Community Development Fund: The AHCDF provides financial assistance to meet affordable housing and community development needs for low and very low income families, elderly, persons with disabilities, and homeless individuals. It also may be used to provide technical assistance to nonprofit developers of low income housing. At least 50% of the dollars allocated must be used to serve very low income households. Sources of revenue to the Fund include appropriations from the General Assembly; gifts, grants, and donations of any tangible or intangible property from public or private sources; investment income; repayments of loans from the Fund; and funds borrowed from the Board for Depositories Insurance Fund.

Explanation of Local Expenditures: *Issuance Costs:* If the county's fiscal body adopts an ordinance requiring each political subdivision of the county to recover 0.5% on each new obligation issued, this may increase the cost of issuing the bonds for that political subdivision or redirect a portion of the revenue generated for the specific project, ultimately affecting expenditures.

Explanation of Local Revenues: *Recording Fees:* Under current law, the county recorder collects the various fees for recording, filing, copying, and other services rendered. The bill would allow counties that have affordable housing funds to add to the fees collected and to retain 60% of the funds collected for deposit in the county's affordable housing funds by the formula. A county with a consolidated city would also be able to adopt an ordinance with 60% of the fee collected to be deposited in the housing trust fund. The remaining 40% of funds collected is to be transferred to the State Treasurer for deposit in the state AHCDF. This may increase reporting transactions for county recorders minimally.

Example of Potential Recording Fees: Using the example above (see *Explanation of State Revenues*), the four counties with affordable housing funds would receive about \$2.2 M. The table below shows by county an estimate of total fee collected and the county's share based on the estimated number of documents shown above.

County	Total Fee Collected	County Share (60%)
Allen	\$972,573	\$583,544
Marion	\$1,890,138	\$1,134,083
Monroe	\$293,210	\$175,926
Vanderburgh	\$436,564	\$261,938
Total	\$3,592,485	\$2,155,491
Number of documents and pages recorded from the Affordable Housing and Community Development Authority.		

Issuance Costs: County affordable housing funds may receive revenues if the county's fiscal body adopts an ordinance requiring each political subdivision of the county to recover 0.5% on each new obligation issued. This money is distributed to each affordable housing fund within the county based on a formula in the bill.

Example of Potential Issuance Costs: The table below shows the amount of obligations issued in CY 2006 in the four counties that have affordable housing funds and the amount of issuance cost they would have received based on the CY 2006 level of activity.

County	Obligations by Local Units	Obligations by School Corps.	Total	Issuance Costs	County Share
Allen	\$0	\$72,406,000	\$72,406,000	\$362,030	\$217,218
Marion	\$59,074,597	\$287,625,000	\$346,699,597	\$1,733,498	\$1,040,099
Monroe	\$2,190,500	\$12,000,000	\$14,190,500	\$70,953	\$42,572
Vanderburgh	\$1,650,246	\$0	\$1,650,246	\$8,251	\$4,951
Total	\$62,915,343	\$375,276,000	\$438,191,343	\$2,190,957	\$1,314,574
CY 2006 obligations from Control Board Activities Report.					

State Agencies Affected: Treasurer of State; Affordable Housing and Community Development Authority; Department of State Revenue.

Local Agencies Affected: County recorders; Counties with affordable housing funds.

Information Sources: http://ihcda.in.gov/forms/Development_Fund_Report.pdf; Joseph Palus, 317-233-1813; 2006 Control Board Activity Report; Michael Frick, 317-232-6260.

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